

Artificial Business Structuring

Introduction

Based on Quixtar's experience with groups that have focused on promoting systematic depth building, this document will summarize key lessons learned.

This document will define acceptable and unacceptable depth building practices, lists the recurring issues often associated with groups that focus on a depth building program from a Rules and Legal perspective, and how they have been handled.

This document will also provide observations of sponsoring and sales numbers in groups that have focused on depth building, compared to the average. Finally, there are several recommendations for affiliates.

Business Conduct and Rules Issues

I. Overview

Amway defines Artificial Business Structuring as: *The strategic and/or artificial structuring of the Amway Line of Sponsorship by an upline ABO who places new ABOs in the downline group without any preexisting relationship between those who are sponsored and those who sponsor, such that a reasonable inference can be drawn that such placement was effected primarily for the purpose of gaining an unfair business advantage.*

It is possible for ABOs to focus on building depth without Artificial Business Structuring.

1. If possible have a relationship with each other, they may choose to be sponsored in whatever alignment they prefer, but it is always optional. No ABO may claim that a certain alignment is mandatory.
2. Each ABO and their sponsor must agree with the sponsor/sponsee relationship.
3. A certain downline depth cannot be required by any ABO.
4. ABOs cannot be prohibited by upline from sponsoring in width whenever they choose.
5. While ABOs may recommend a certain alignment based on their experience, they may not state or imply a guarantee of results or promise a certain number of downlines.
6. ABOs may not use transfer rules to strategically restructure themselves into a new alignment.
7. ABOs may not withhold support from ABOs who choose not to follow recommended alignment.

II. Unacceptable Practices that have been associated with Depth-building Groups

Issues have been brought to light through complaints from various sources. Attorney General offices, other LOA's, prospects, employees, ABOs within the LOA wondering about certain practices, negative media coverage, and requests to restructure groups.

1. "I don't know my sponsor / upline."
2. "I didn't want to be sponsored by my sponsor."
3. "I was told I had to sponsor 20 deep before I could sponsor in width."
4. Guarantees or implied guarantees of downlines/results.
5. Confusion about the role of the Corporation and the role of the support organization or team.
6. Misrepresentation of Quixtar as just a shopping portal or supplier.

7. Transfer requests to align existing ABOs in terms so they can be supported.
8. Claims from depth building groups that they are better than the others, or more successful.
9. Solicitations from depth building groups to ABOs within other LOAs.
10. Claims from depth building groups that they have a special deal or rules from the Corporation.
11. Downplaying or omitting the fact that the sale of products is part of the ABO Plan, while the focus is on sponsoring and buying support materials.
12. ABOs in depth taking short cuts.

III. What has been done in response to the above issues?

1. Meetings and conversations with Leaders to tell them what is and is not acceptable.
2. Attendance at open meetings by Corporate staff.
3. Disclosure documents authorization.
4. Education of Leaders on do's and don'ts
5. Ongoing leadership training
6. Retrainings
7. Other Rule enforcement actions
8. Denials of transfer requests
9. DVD on "Growing it Right" for ABO sponsored functions.

IV. What are the results?

There is a reduced numbers of complaints, however, there continue to be occasional reports ABOs in depth saying and doing things unacceptably. When we receive such complaints, we follow our normal rules enforcement process.

Acceptance of depth building strategies by other ABOs/LOAs.

Other Rules Enforcement actions include suspension, disallowing requested "corrections," etc.

Depth Building Do's and Don'ts

Don'ts

New ABO doesn't know sponsor
 ABO didn't agree with who is sponsor
 No prior relationship
 Guarantee of getting downline
 "We have 4 ABOs to put under you"
 "Your position will help you succeed"
 You must do this. Not optional.

Do's

New ABO knows sponsor prior to registering
 ABO agreed who she'd be sponsored by
 Prior relationship
 No guarantee
 No promise of downline
 No promise of success
 Optional. OK to recommend, not demand

Not Quixtar ABO Plan	Quixtar ABO Plan
“We have special rules, permission, etc”	No special rules
“This is the only method that works”	Our experience is this works better for us
Use transfer to modify legs	No strategic restructuring
Certain depth required	Certain depth recommended
No width allowed	Width allowed
Not Quixtar... our Team	Proper positioning of Q and Team
No involvement in sponsoring	Sponsor is involved in sponsoring
Being registered by upline	Registering oneself, reading disclosures
Saying retention will be better	No guarantees
Saying income will be better	No guarantees
Team does the work, not the individual	Team supports individuals
“Get in and buy to succeed”	Members and Clients are part of the Plan
Not using special SA-4400	Using special 4400
Not using BSMAA	Using special 4400
“Ignore all this disclosures”	Spoken words consistent with disclosures
Using pre-registration forms	Not using pre-registration forms